

# Estate Tax Revenue 2002 - 2011

Year			
2011	\$ 4,310,880		
2010	\$ 2,480,808		
2009	\$ 3,771,792		
2008	\$ 1,785,697		
2007	\$ 2,977,322		
2006	\$ 14,189,691		
2005	\$ 4,692,415		
2004	\$ 4,242,341		
2003	\$ 15,227,905		
2002	\$ 2,138,406		
Ten Year Average:		\$5,581,762	

# Actions Taken by Ohio Governor and Legislature and Their Impact on Shaker

\$ 742,500 = Local Government Fund (LGF)

\$ 160,000 = Commercial Activity Tax (CAT)

\$ 5,581,762 = Estate Tax (average per year 2002-2011)

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\$ 6,484,262

## Expenses covered by Estate Tax

City of Shaker Heights  
Basic Capital Appropriations by Year  
2008-2012

	2008	2009	2010	2011	2012	5 Year Average
Public Works Equipment	312,000	295,000	425,000	195,000	499,000	
Public Works Projects	13,500	17,500	13,500	13,500	13,500	
Streets and Curbs	1,368,101	1,325,000	2,350,000	1,400,000	1,304,012	
Police Equipment	396,760	421,305	464,000	329,850	260,556	
Fire Equipment	119,000	32,950	221,500	48,000	75,000	
City Facility Repairs		102,700	372,000	998,000	442,000	
Community Projects		60,000				
Information Technology	217,000	35,000	119,000	159,000	302,500	
Community Life Equipment	19,200	32,000	673,000	117,000	110,100	
Total Cost	2,445,561	2,321,455	4,638,000	3,260,350	3,006,668	3,134,407
Debt Service	884,855	1,315,600	1,203,900	1,325,600	1,132,753	1,172,542
Self Insurance Expense	833,294	937,411	872,450	740,738	927,136	862,206
Total Cost of Capital, Debt Service and Self Insurance						5,169,154

**Operating Revenue 2007 - 2012**  
**(excluding Estate Tax)**

	2007 Actual	2008 Actual	2009 ACTUAL	2010 ACTUAL	2011 Actual	2012 Budget	2012-2007
<u>Local Taxes</u>							
Property Taxes	\$ 9,042,515	\$ 8,515,197	\$ 8,433,424	\$ 7,722,482	\$ 7,368,373	\$7,234,822	(1,807,693)
Income Taxes	19,432,172	20,809,784	19,646,181	19,807,678	20,643,570	20,644,059	1,211,887
Admission Taxes	55,204	60,225	51,542	52,811	48,317	52,000	(3,204)
Total Local Taxes	\$28,529,891	\$29,385,206	\$28,131,147	\$27,582,971	\$28,060,260	27,930,881	(599,010)
State Shared Taxes	1,562,758	1,541,129	1,349,201	1,368,809	1,362,948	898,737	(664,021)
Intergovernmental Revenue	175,315	536,799	381,664	332,639	177,181	305,103	129,788
Charges for Services	2,655,225	2,641,498	3,107,409	3,277,832	3,265,053	3,266,088	610,863
Fines	765,301	652,230	665,009	630,082	591,450	595,150	(170,151)
Licenses & Permits	746,352	677,686	650,997	703,627	643,864	646,623	(99,729)
Miscellaneous - Interest	2,248,403	1,051,680	676,229	760,502	774,949	608,623	(1,639,780)
Transfers In	135,253	100,540	908,366	20,502	102,451	4,000	(131,253)
Total Operating Revenue	\$36,818,498	\$36,586,768	\$35,870,022	\$34,676,964	\$34,978,156	34,255,205	(2,563,293)

7/26/2012

**Work Force Reductions  
2007 – 2012**

City of Shaker Heights  
Wages Budget Comparison  
2007 vs. 2012

Department	Total Employees		Difference	Estimated Savings in 2012 amounts
	2007	2012		
<b>Police</b>				
Sworn	73	63	(10.0)	712,000
Admin	30.29	24.99	(5.3)	290,000
<b>Fire</b>				
Sworn	68	54	(14.0)	1,343,000
Admin	3.5	2	(1.5)	141,000
<b>Public Works</b>				
Union	86	74	(12.0)	857,385
Non Union	21	17	(4.0)	290,610
<b>Community Life</b>	19	15	(4.0)	298,000
<b>Health</b>	3	3	0.0	0
<b>Building Inspection</b>	6	4	(2.0)	203,000
<b>Housing Inspection</b>	9	10	1.0	(60,000)
<b>Information Technology</b>	3	4	1.0	0
<b>Law</b>	5.75	4.93	(0.8)	48,000
<b>Finance</b>	8	7	(1.0)	75,000
<b>Human Resources</b>	4	3	(1.0)	110,000
<b>Communications &amp; Outreach</b>	3.1	4.25	1.2	(17,060)
<b>Planning</b>	5	4	(1.0)	65,000
<b>Neighborhood Revitalization</b>	6	2	(4.0)	269,000
<b>Economic Development</b>	2	1	(1.0)	85,000
<b>Mayor/CAO</b>	3	3	0.0	24,000
<b>TOTALS</b>	<b>358.64</b>	<b>300.17</b>	<b>(58.47)</b>	<b>4,733,935</b>

NOTE: Above totals reflect recommendations of Mayor's Task Force for reductions in Police, Fire, Community Life and Neighborhood Revitalization. Municipal Court is not included in above calculations.

March 26, 2012

Mayor Earl M. Leiken  
City of Shaker Heights  
3400 Lee Road  
Shaker Heights, OH 44120

**SUBJECT: Mayor's Financial Task Force**

Dear Mayor Leiken,

As Chairman of the Mayor's Financial Task Force, I want to thank you for appointing this committee and charging us to study the City's financial challenges and propose solutions. We all felt honored to serve on this committee at your request and to participate in such an important and timely initiative.

Attached are the findings and specific recommendations of this committee. From the very start we wanted to undertake a credible and robust process for you, the City Council and our residents. We hoped we have achieved this. We are ready to assist you and to respond to your questions and the questions of the City Council, the Board of Education, the Library Trustees and Shaker residents.

Respectfully submitted,

A handwritten signature in black ink that reads "Martin R. Kolb". The signature is written in a cursive, flowing style.

Martin R. Kolb

Attachment

Cc: John J. Boyle  
Todd Campbell  
Paul H. Carleton  
Christopher Hunter  
Matthew D. Lehman  
Carolyn Milter

# **Recommendations Of The Mayor's Financial Task Force**

**Martin R. Kolb, Chair**

**John J. Boyle**

**Todd Campbell**

**Paul H. Carleton**

**Christopher Hunter**

**Matthew D. Lehman**

**Carolyn Milter**

**March 26, 2012**

## Introduction

The Mayor's Financial Task Force was initially appointed by Mayor Earl M. Leiken in October 2009. At that time the community was experiencing unprecedented challenges as it approached its centennial in 2012. These included a lack of economic growth in Cleveland and within the region, stiff competition for residents from outer ring suburbs and significant financial challenges in maintaining the quality of community life. The Task Force was asked to review financial challenges facing the Shaker Heights community and to make specific recommendations to address them. The Task Force jointly concentrated on both the City of Shaker Heights and the Shaker Heights School District. For the benefit of all Shaker residents and taxpayers, the financial challenges for both entities required a concerted and coordinated approach. After an extensive review and analysis the Task Force submitted their findings and recommendations to Mayor Leiken in October 2010. The full report is available on the Shaker Heights website at <http://shakeronline.com/>.

Despite the best efforts of the City and the School District to address these issues, unfortunately the fiscal challenges for Shaker Heights have continued to grow. With the approval of the State of Ohio 2011-2013 biennial budget, beginning in July 2011, State funding for cities and school districts has been significantly decreased or eliminated entirely. Specifically for the City, reductions in the Local Government Fund, reductions in the Commercial Activity Tax and the elimination of the State Estate Tax will reduce revenues by \$6.5 million annually, reaching the full impact by 2014. This equates to a 16% revenue loss for the City based on 2011 total revenue. The calculation is based on the average annual estate tax receipts over a 10 year period from 2002 to 2011, the loss of one-half of 2010 local government support and the loss of the commercial activity tax. For the School District, reductions in State foundation and other sources of fiscal support are already reducing annual revenues by \$4 million.

The fiscal implications of declining revenues and State funding reductions, together with continued regional economic challenges, have placed further pressure on the Shaker community. Because of this financial situation and its potential negative effect on quality of life in Shaker Heights, Mayor Leiken asked the Task Force to review these financial issues and propose solutions in late 2011.



The charter of this Task Force effort:

1. Evaluate City operations with a focus on
  - a. Improving department productivity and efficiency
  - b. Reducing operating costs, while minimizing impact on key services
  - c. Maintaining quality of services and quality of life for Shaker residents
2. Make fiscal recommendations to the School District and Library
3. Complete this evaluation before the end of the 1<sup>st</sup> quarter of 2012

### **City Cost Reduction Actions**

The City of Shaker Heights has been very proactive in reducing costs and achieving operating efficiencies over the last several years. Three significant economic changes have mandated a need to address operating costs in Shaker Heights:

1. Population losses -- Since 1970 Shaker Heights population has declined by 21.6%. Cleveland population has declined by 47.1%. The Cuyahoga County population has declined by 25.6%. The result is a loss of the tax base.
2. Economic downturn -- The result is stagnant income tax revenues, reduced property tax values and reduced interest income on reserves and investments.
3. Collapse of the housing market -- The result is a reduction in property values and a reduction in property taxes.

To put the impact of these economic changes into perspective, since 2007 general fund operating revenue for Shaker Heights has declined from \$36.9 million to \$35.1 million in 2011 and \$34.3 million forecast for 2012.

This revenue decline necessitated an aggressive review and reduction in operating expenditures. During the period 2008 through 2011, total full-time and part-time personnel across all City departments were reduced from 360 to 312 employees. This is a reduction of 48 employees or 13% of the employee level in place at the beginning of 2008. The savings from these workforce reductions equate to over \$3.9 million in 2012 dollars. In addition, several other cost-savings initiatives have yielded an additional \$1.6 million in benefits. These include self-insurance of worker's compensation, renegotiation of union contracts to eliminate wage increases, lower non-bargaining employee wage increases, increased employee health care contributions and the elimination of directors' bonuses. The total of these combined savings from reduced

employment and lower compensation/benefits is over \$5.5 million since the beginning of 2008.

These reductions were achieved with little noticeable impact on services to residents. While these cost reduction actions are very significant, the recent reduction in State funding of \$6.5 million together with ongoing operating pressures result in an unacceptable and unsustainable financial outlook for the City of Shaker Heights. The 2012 Shaker Heights City general fund budget shows an operating deficit of \$2.4 million (compared to a \$0.1 operating surplus in 2011). If unchecked, this deficit grows to \$4.0 million in 2013, \$6.3 million in 2014 and \$7.2 million in 2015. The financial forecast clearly shows that the current reduced revenue projection cannot cover expenditures, resulting in an operating deficit. In addition to completely eliminating Shaker's operating reserve, this forecast will lead to a severe reduction in City services and the community's quality of life, and have serious and negative implications on the City's bond rating and ability to attract new commercial and growth investment.

### **Financial Task Force Process**

Beginning in December 2011 and continuing through February 2012, this Task Force reviewed all 15 City operating departments. The goal, as outlined earlier in this report, was to evaluate further opportunities for improving department productivity and reducing operating costs, while minimizing any impact on essential services. The discussions with each department director focused on the role of the department, cost reduction actions over the last 4 years, opportunities and recommendations for additional cost reduction actions, together with the resulting service implications of these potential actions to residents. A large amount of operating data and financial information was presented by each department to facilitate the evaluation and ultimate recommendations. The Shaker Heights Mayor, Chief Administrative Officer, Chief Financial Officer together with the department director participated in these meetings. It should be noted that this cooperative process with department directors and the opportunity to dissect department operations in this manner proved very valuable to all involved, particularly given the financial challenges facing City operations.

Because of the previous aggressive cost reduction actions by the City highlighted earlier in this report, the opportunities to further reduce costs without compromising current

services or quality of life for Shaker residents was challenging. However, this Task Force believes that immediate, although limited, cost savings opportunities are available and further opportunities for future savings also exist.

### **Financial Task Force Cost Reduction Recommendations**

<u>Department</u>	<u>Annual Savings (\$000)</u>	<u>Rationale</u>
Police	\$130	Eliminate open position, reclassify another
Fire	\$195	Eliminate open positions, backfill with overtime
Neigh. Revitalization	\$139	Remove some work, do not fill open positions
Law	\$69	Reconfigure outside counsel role
Community Life	\$208	New lighting, contracted savings, reassign roles
Public Works	<u>\$62</u>	Eliminate apartment bldg. dumpster pick-up
Total	\$803	

These recommendations total \$803,000 annually or 2.5% of 2011 operating expenditures for the City. It is our strong belief that essential services will not be impacted by these cost actions.

Combining these cost reduction recommendations with the cost saving actions the City has previously undertaken totals nearly \$6.4 million in expenditure reductions since 2008. This enormous amount of cost actions by the City indicates strong fiscal management and accountability. Nonetheless, the significant immediate and long term operating deficit problem continues, which will erode the quality of services and community life, unless further dramatic actions to reduce costs and services and/or increase the revenue base are taken.

The Task Force also considered further actions to reduce City expenditures. These included eliminating back yard trash pick-up (\$400,000 savings), eliminating the health department (\$100,000 net savings), eliminating crossing guards (\$190,000 savings),

eliminating senior transportation (\$90,000 savings), eliminating custodial support for the Shaker Family Center (\$120,000 savings), and eliminating operating support for the Shaker Youth Center (\$70,000 savings). While these combined actions might generate an additional \$970,000 in annual savings, our opinion is that eliminating these services would significantly impact residents' quality of life. We therefore do not recommend this because of the adverse effect they would cause, while still leaving Shaker with a massive budget gap of \$4.7 million (\$6.5 million lost State of Ohio revenue, less \$1.8 million in recommended and non-recommended cost reductions).

To further illustrate the magnitude of this problem, in order to close the lost revenue shortfall only through additional cost reductions, Shaker would need to eliminate at least 50 more employees, including a significant number of police officers, fire fighters and public works employees, as well as entire departments such as Housing Inspection and Neighborhood Revitalization. These drastic actions would imperil safety, EMS response time, snow removal, trash pick-up and quality of life throughout Shaker, especially in our most vulnerable neighborhoods. We do not recommend pursuing this extreme route which would seriously compromise or eliminate existing key services and programs.

In order to retain the quality of services and life in Shaker, it is essential to generate new revenue.

### **Actions to Restore Revenue Base: Income Tax Increase Essential**

Although significant cost reduction opportunities are recommended in this report, Shaker's budget gap cannot be solved through these measures alone. This Task Force is very sensitive to the already high level of taxation in this community. Today in 2012, however, is an extraordinary time in Shaker's history due to the significant lost revenues from the State. To preserve Shaker, additional immediate sources of revenue are required. In order to recover the amount of lost revenues, we recommend a 0.5% income tax increase ballot issue for 2012. This level of income tax rate increase from 1.75% presently to 2.25% is estimated to generate \$6 million in new revenue annually. We believe the additional revenues provided from this tax increase are essential to maintain the quality of life in Shaker Heights. The last income tax increase in Shaker Heights was over 30 years ago in 1981.

However, to think that the City could undertake future periodic income tax increases to cover operating expenses is unrealistic and is not sustainable in Shaker Heights.

Therefore this recommended 2012 ballot issue must be a one-time event and solution, with no expectation of further increases for many years as a means to balance the City budget. Essential to this long term financial management plan are continued expense reductions and belt tightening. This is a way of life in the private sector and it must continue to be a way of life in Shaker as well.

We also recommend that the City not defer this income tax increase ballot initiative beyond 2012. Doing so would create a more troubling situation in Shaker during the next 3 years. Without immediate additional revenue the City will face an even deeper hole to recover from.

### **Financial Task Force Recommendations for Additional Revenue and Cost Savings**

The City has benefited from strong leadership and management by the Mayor and City Council to address problems in the economy as noted above. This same proactive and strong leadership will continue to be just as critical in the future, even if the community passes a tax increase.

In that respect, the Task Force has additional recommendations for generating revenue and reducing costs:

#### **Revenue Generating**

1. The fee structures should be reevaluated and updated in all departments and especially in Community Life, Health, EMS, Building and Housing Inspection.
2. An active pursuit of gas drilling opportunities on City property can provide an additional source of income.
3. Continuing the impressive economic development initiatives currently underway in Shaker are essential to foster a vibrant commercial base. Recent examples like the Shaker LaunchHouse, the Van Aken district plan, together with improvements on Chagrin Boulevard and Shaker Towne Center all help enhance our commercial footprint. In addition, the vacated Office Max space, filled by University Hospitals, is a tremendous asset for our community. We recognize that it is a long term process to build successful businesses in the Shaker community,

including those owned and operated by Shaker residents, but these are essential to improving revenues and supplementing our homeowner's tax base.

### Cost Savings and Productivity

1. Use the federally funded Energy Conservation Master Plan prepared in November 2011 as a benchmark and develop a detailed funding and operating model to gain the key energy savings opportunities highlighted.
2. Implement red light and speed control cameras from a public safety and police efficiency perspective. Placing cameras on Shaker streets will promote traffic safety and free up police officer time to focus on neighborhood safety. According to the Police Chief the number one complaint to the department from residents involves traffic violations.
3. Evaluate the use of computer desktop printers in the City (81 presently). Reducing the number of desktop printers and using building network printers saves paper and maintenance/service cost.
4. Evaluate the use of joint police dispatch possibilities with other communities.
5. Evaluate the cost of contracting for custodial service across all properties.
6. Arrange for an independent assessment of the Housing Inspection Department systems and operations, with a focus on improving productivity in this labor intensive and manual data input department. The City should also evaluate if there are some activities performed that can be eliminated or deferred.
7. Consider combining certain departments that have similar charter or roles, such as Neighborhood Revitalization and Housing Inspection, and Planning and Economic Development. While the cost saving opportunities may be very modest, if any, streamlining the organization will yield productivity gains.
8. Evaluate the use and cost of school crossing guards. Determine if there are feasible examples from other communities that may lessen the current \$190,000 annual cost without compromising student safety.
9. Explore opportunities for increased involvement between the Health Department and the Cuyahoga County Public Health Cooperative to reduce costs while maintaining vital services. Due to federal budget cuts, grants to local public health departments will almost certainly decline in future years.
10. With interest rates the lowest in several decades, we are pleased to note that the City Finance Department has begun the process to restructure and refinance the Tax Investment Funding bond payments. This will result in interest savings of

\$1.3 million through the 2031 bond maturity even after the cost of processing the refinancing package.

11. Evaluate opportunities for joint City-Schools facilities management (fields, parking lot snow plowing, etc.).
12. While the Municipal Court operates independently from the City of Shaker Heights, we encourage the Court to continue efforts to reduce operating costs.

### Compensation and Benefits

1. An employee Wellness Plan has been developed and implemented with incentives for non-bargaining employee participation. This plan should be extended to bargaining employees as well. An effective Wellness Program will also likely achieve worker's compensation self-insurance program savings.
2. An independent audit of employee-dependents' medical insurance coverage should be undertaken, with significant consequences for any employee abusing this benefit.
3. The City should implement a new health care provision for working spouses of employees. Similar to what the School District has already enforced, if the working spouse has a health care insurance option offered by their employer, they must use it rather than be part of the City plan.
4. Employee payments for health care premiums should be set at 20% compared to the current 5% and 10% levels. Every 5% change in employee medical premium contributions amounts to a savings of \$225,000 annually.
5. Medical payment co-insurance should be increased to 20% from the current 10% level.
6. The City implemented a 2% wage increase for many employees in 2012, after employees had given up previous increases and accepted freezes and furloughs with reductions in pay. With a city-wide cost of \$300,000 annually for every 1% employee salary increase, the City should seek to avoid wage increases in collective bargaining contracts and for non-bargaining unit employees for the next several years. We appreciate that this is difficult for City employees; however Shaker Heights cannot support further wage increases and/or health care cost increases at this time.

A combination of additional cost savings and generating new revenue is very much a necessity for the long term financial health of Shaker Heights. Every effort to further

reduce operating expenses, including compensation/benefits and health care costs, must continue to be evaluated and implemented.

### **Greater Cleveland's Future: Regionalism**

Shaker Heights is not alone in facing the economic challenges spelled out in this report. In order to hold down the cost of government, while maintaining essential services, communities throughout Cuyahoga and surrounding counties are exploring new ways of providing these services.

This Task Force has taken note of the fact that Shaker Heights has already joined regional initiatives including:

1. The Police Department participates in the Northern Ohio Law Enforcement Task Force and EDGE, an agreement in which five suburbs share personnel and resources in providing SWAT Team services.
2. The Fire Department has mutual aid and automatic response agreements with other communities, Joint Fire Dispatch, Chagrin Southeast Haz-Mat reciprocal agreement and Heights Area Special Rescue Team agreement.
3. Signed the county "no poaching" economic development agreement.
4. Through a grant from the Cleveland Foundation, a consulting firm is helping Shaker Heights and University Heights determine if a merger of fire departments is economically attractive and more efficient, while maintaining response time.
5. In addition, the Police Department is exploring joint dispatch opportunities with EDGE communities.

Undoubtedly, support for regional collaboration will be important for the long term future of Shaker Heights and the Greater Cleveland area. We encourage further participation in regional initiatives to improve efficiency and reduce government costs.



## **Schools and Library Operations**

Shaker Heights will celebrate its centennial this year. This unique community has enjoyed remarkable success in maintaining the quality of its homes and parks, attracting a highly educated, affluent and diverse population, providing excellent municipal services, maintaining high quality and nationally-recognized Schools, and supporting a high standard Library system. The City, School District and Library have a long history of working together to support our residents while following separate financial paths. From a citizen perspective however, Shaker Heights is one community with a tax cost structure that places it at the high end of this region and in the State of Ohio. The City provides municipal services with an annual budget of approximately \$40 million, the Schools provide public education service with a budget of approximately \$90 million, and the Library provides their service with a budget of approximately \$5 million. Never in our 100 year history has it been more important for each of the three taxing entities to be more cognizant of the unprecedented financial pressures facing this community and cautious with their financial planning and spending. As such, there is significant value in taking a coordinated approach to planning and evaluating spending options, particularly in times like the present which are extremely economically challenging for all three entities and for our residents. While this Task Force did not specifically examine the operations of the School District and the Library, we have included recommendations for both that support a coordinated city-wide financial and tax plan.

This Task Force encourages both the Schools and the Library to undertake a similar in-depth, independent and detailed financial analysis of their operations with the focus on reducing operating costs and improving productivity. Engaging the citizen resources of the community to evaluate the School and Library product and services, as the City has done, offers unique and non-political insights and instills confidence with Shaker residents.

We commend the School District for the significant cost savings that have previously been achieved. These difficult actions were important and will help our community. We are encouraged to learn that the School District is deferring their next operating levy until 2014, a full 4 years since the most recent tax levy in 2010. This interval between levy requests is a full year longer than their previous financial plan indicated. In the October 2010 Task Force report, a stated recommendation was that the Schools “develop a financial plan with clear goals which extend the period between levies well

beyond three years with millage under 10 mills for each levy.” We are pleased that the School District is attempting to address this recommendation. To this point we also recommend that the School District tie its strategic plan to a resource-based spending plan, so that priorities are established and expenses are based on available resources or those that can be reasonably expected in the future.

The Library should develop a financial forecast that seeks no additional tax increases. If the operational outlook with this constraint is not feasible within the present funding level, the Library should look at other options that reduce the tax burden on residents of Shaker Heights. One such alternative would be to evaluate a merger with the Cuyahoga County Library system, which is a more economical tax option for Shaker residents.

### **Community Outlook**

While these recommended actions are difficult and may not be popular among all residents and stakeholders, the fiscal pressure in our community requires tough actions and adherence to a coordinated city-wide financial and tax plan. A key necessity for Shaker Heights is to attract and retain income and tax-producing residents and businesses to assure a funding level which supports top-quality City services and safety, high-quality Schools and a good Library system. The community’s ability to attract and retain these taxpayers is dependent on the perception that the City, the Schools and the Library have much to offer without unduly burdening residents financially.

Shaker has done a remarkable job of maintaining high quality City, School and Library operations in the face of significant challenges. This is a testament to our citizens and to the quality of people who have served in office in Shaker over a period of many years. Our community continues to have unique assets which make us optimistic about the future -- high quality housing stock, the physical beauty of our parks and walking trails, attractive neighborhoods and a highly educated and diverse population. These assets make us attractive and give promise to a bright future for Shaker. The best way to assure this future is by adjusting to our changing economic circumstances and by following a sound and disciplined financial approach. It is essential that all three taxing entities -- City, Schools and Library -- have a coordinated and connected financial plan that attempts to minimize the tax burden to residents, while preserving quality. Good fiscal management is the bedrock of any sound, sustainable community.

## Summary of Recommendations

### A. City

1. Immediately implement the cost reduction actions outlined in this report.
2. Prepare a 0.5% income tax increase ballot initiative for this year. The City's revenue and expenditure plan must eliminate the forecasted operating deficits and maintain a general fund operating reserve of at least 15% of annual expenditures.
3. There is a key necessity to continue the City's capital investments, formerly funded by the State estate tax. Investment in infrastructure, streets, parks and recreation facilities is critical to maintaining a vibrant Shaker Heights. Essential to this is a general fund budget that fully supports ongoing capital improvements and debt service of \$4.5 million annually.
4. Develop a detailed plan around the additional revenue generating, cost savings and employee compensation/benefit productivity opportunities presented in this report.

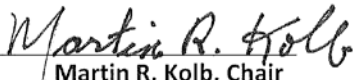
### B. Schools

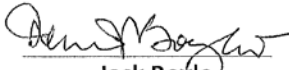
1. Using the City example, undertake a similar in-depth, independent analysis of operations with a focus on reducing costs, without compromising quality or the educational experience.
2. Develop a resource-based strategic plan so that priorities are established and expenses are based on available resources or those that can reasonably be expected in the future.
3. Barring an unforeseen elimination or depletion of a major funding source, defer any potential tax increases, whether for operating expenses or capital needs, until 2014 at the earliest and reduce requested millage below the 10 mil level.

C. Library


1. Using the City example, undertake a similar in-depth, independent analysis of operations with a focus on reducing costs and improving productivity.
2. Develop a financial plan that seeks no additional taxpayer funding.
3. Evaluate the tax savings to Shaker residents and the benefits of joining the Cuyahoga County Library system.

Mayor's Financial  
Task Force

  
Martin R. Kolb, Chair

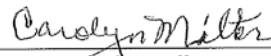
  
Jack Boyle

  
Todd Campbell

  
Paul Carleton

  
Christopher Hunter

  
Matt Lehman

  
Carolyn Milter

### **The Mayor's Financial Task Force**

Martin R. Kolb, Chair:

- Chair, Mayor's Financial Task Force of 2010
- Retired General Manager, General Electric Company
- Past member, Shaker Heights Board of Education and Board President
- Member, City Council Finance Committee
- Member, Finance & Audit Committee Shaker Heights City School District
- Three adult sons, all Shaker City School graduates

Jack Boyle:

- Senior Fellow & Special Assistant to the President, Capital Planning, Maxine Goodman Levin College of Urban Affairs, Cleveland State University
- Retired VP Business Affairs & Finance, Cleveland State University
- Retired Chief Financial Officer, United Agencies, Inc.
- Former Mayor, City of Cleveland Heights
- Member, Shaker Planning & Zoning Appeals Board
- Master's degree, Urban Planning, Design & Development; BS Finance
- 4 adult children; 6 grandchildren in Shaker City Schools

Todd Campbell:

- Portfolio Administration Group Manager, KeyBank
- Past Board member, Fund for the Future of Shaker Heights
- Member, City Council Finance Committee
- Two children in Shaker City Schools

Paul Carleton:

- Managing Director, Carleton McKenna & Co., LLC, strategic & financial consulting firm
- Member, Business Advisory Council of Baldwin Wallace College
- Chair, Board of Trustees – Baldwin-Wallace College
- Chair, Executive Committee – Baldwin-Wallace College
- Member, Finance & Audit Committee Shaker Heights City School District
- Four adult children attended and/or graduated from Shaker City Schools

Christopher Hunter:

- Associate General Counsel – Intellectual Property, Parker-Hannifin Corporation
- Past member, Family Connections (previously Shaker Family Center), and Board President
- Past member, City Council Finance Committee and Neighborhood Revitalization Committee
- Three children in Shaker City Schools

Matt Lehman:

- Mobile Business Leader, Progressive Insurance
- Past Member, City Council Finance Committee
- Member, Board of Trustees, Shaker Schools Foundation
- Member, Board of Trustees, Shaker Youth Center
- Member, Board of Trustees, Shaker Youth Hockey Association
- Shaker City Schools graduate
- Two children in Shaker City Schools

Carolyn Milter:

- Retired Manager, Communications & Public Affairs, Cuyahoga County Department of Health and Nutrition
- Past member, Shaker Heights Board of Education and Board Vice President
- District Administrator for Cong. Dennis Eckart when he represented the Heights area
- 30-year Ludlow resident, former Ludlow PTA President, Board member Ludlow Community Association
- Three adult children, all Shaker City School graduates
- Now resides in Cleveland portion of Shaker School District



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**2011 COMMUNITY ATTITUDE SURVEY**

**REGARDING**

**THE CITY OF SHAKER HEIGHTS**

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**November 2011**

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# BACKGROUND

## Survey Methodology

This report presents the findings of a telephone survey completed with a total of 500 registered voters living in the City of Shaker Heights.

- Survey respondents were distributed across the city by precinct in proportion to the total number of ballots cast in the 2010 primary election. A sample of registered voters who voted in two or more of the last four general elections was selected.
- The sample was also stratified one-half male, one-half female.
- All telephone interviewing was completed between November 10 and November 15, 2011.
- With 500 respondents, the survey results have a margin of error of +/- 4.4% at the 95% confidence level. However, several questions regarding each of the two possible income tax increases were only asked of half of the voters. The results for the questions based on 250 completed interviews have a margin of error of no more than  $\pm 6.2\%$ , also at the 95% confidence level.

## Survey Purpose

TRIAD conducted a similar survey for the City of Shaker Heights in July 2009 and comparisons to these results are shown where possible. Today's survey had three main purposes. They were:

- To update voters' perceptions of the City of Shaker Heights including their opinion of city services as well as how the City is doing with their tax money
- To assess voters' awareness of the cuts the city has made in spending, as well as the impact, if any, these cuts have had on city services. Awareness of state funding cuts was also measured.
- To measure voters' support for each of two city income tax options and determining why voters might oppose a tax increase. Reasons in favor of a possible income tax increase were also tested to see which arguments, if any, would help increase support for a tax issue.

## Note to the Reader

For analysis, the City of Shaker Heights was divided into the following four regions.

1. Northeast region which includes precincts T, U, V, W and X
2. Northwest region consists of precincts A, B, C, D, E, R and S
3. Southeast region is made up of precincts J, M, N, O, P and Q
4. Southwest regions which includes precincts F, G, H, I, K and L

# SUMMARY OF FINDINGS

## **Shaker Heights continues to receive high marks from voters regarding city services and financial reporting.**

- 93% of the voters are satisfied with services provided by the City of Shaker Heights, with 56% very satisfied.
- 83% agreed that you can believe what the City of Shaker Heights tells you about the finances of the city.
- 71% rated the City excellent or good on the job it is doing with the tax money it receives while 24% rated the City only fair or poor.

Each of these ratings are an improvement compared to the 2009 survey results.

## **Initial support for an income tax increase is under half.**

There was slightly more support for a one-half percent increase in the city income tax than for an increase of zero point three-five percent. Just under half of the voters support the one-half percent increase initially (46%), but slightly more voters opposed this issue (50%). While support for the 0.5% increase was just over half at the end of the survey (52%), most of the support is soft as only 16% said they would support the issue the second time asked while 36% would only probably vote yes. There were 46% who would vote no on this issue in the second vote question.

On the 0.35% increase, 42% support the issue initially while 53% would vote no. And support only increased 3-points at the end of the survey with the percent voting yes still under half at 45%. 53% opposed this issue the second time asked.

Statistically, there is little difference in these vote results. Therefore for purposes of analysis, the initial and second vote results for both tax increases tested were combined to create a vote movement variable. And to be successful, the City will need all of the support of the Yes/Yes voters (41%) and the Moved Positive voters (8%) as well as some of the Moved Negative (4%) or Undecided (1%) voters as well as some of the Soft No voters (23%). About a fourth (23%) were Hard No voters in that they would definitely oppose the issue both times asked.

## **The survey identified several obstacles a campaign would have to overcome before voters would support an income tax increase.**

The first obstacle is the perceived lack of need for additional money among some voters. That is, need was the reason that most divided the Yes voters from the No and Undecided voters. Thus, the City will have to convince more voters that they need additional money.

- Overall voters were divided, 41% agreed and 44% disagreed, that the City of Shaker Heights has enough money now to provide high quality services, it doesn't need any more.
- But 73% of Hard No voters agreed the City has enough money now while 73% of Yes/Yes voters disagreed.

Voters think the City could do more to cut spending without compromising city services.

- 59% of voters were aware the City already tightened their belt by cutting employees and reducing the City's budget. However, 71% of all voters said despite these cuts, the quality of city services has been maintained.

- In addition, 71% of all voters agreed that instead of asking for a tax increase the City should tighten its belt like a lot of families, businesses and organizations are doing.
- Even after being told the City will not be collecting revenue from the estate tax (of which 77% were aware), voters were divided on what the City should do to make up for this shortfall. That is, 35% said the City should lay-off employees while 26% think the City should ask residents for a tax increase and 12% think the City should do both. But fully 27% weren't sure how the City should make up for this loss in revenue.
- Also, right now, only 9% of voters think that if the income tax increase were to fail it would have a lot of impact on their family.

Many voters continue to be concerned about cost, taxes and the economy.

- 52% of all voters agreed that the economy is too uncertain for me to vote for an income tax increase for the City.
- 45% of all voters agreed that they would like to vote for the city income tax increase, but they can't afford to pay any more money.
- And 72% agreed it will be harder to sell their home at a decent price if taxes keep going up.

**Key to passing a city income tax increase is convincing voters there is a need for more money.**

- 32% were more likely to vote yes on an income tax increase knowing that the State of Ohio cut the amount of money it gives to cities by more than half.
- And 40% were more supportive when told that the money from the tax increase would make up for the money the state legislature took away from Shaker earlier this year.
- 61% were aware that the City will no longer be able to collect money from the estate tax and 41% were more likely to vote for when told that Shaker relied on this money to pay for road repairs, and the purchase of all new equipment including police cars and fire trucks.
- Voters also need to be reminded that it has been 30 years since Shaker had an increase in their income tax (40% more likely).
- While not as persuasive as the other arguments, it is important to inform voters, that non-earned income such as social security, pensions, interest and dividends will not be taxed (26% more likely).
- Knowing the cost of the two issues was of little help. In fact knowing the 0.5% increase would cost about \$21 more a month was a slight negative (13% more likely; 17% less likely) while the cost at about \$15 a month for the 0.35% increase was only a slight positive (18/12). Knowing the cost didn't impact the way they would vote for two-thirds of the voters (67% and 65% no difference, respectively).
- There is little to be gained by telling voters that 20% of the city's income tax comes from people who live outside of Shaker, but work in the city (16% of all voters more likely).

If the issue fails, voters tend to favor making cuts in just two of the six city services tested – back yard trash collection (56% favored) and parks and recreation (52%). However, a large majority opposed making cuts in street repair (68% opposed), snow plowing (66%), police protection (78%) and fire and rescue squads (81%).

In addition, only 9% think if the issue fails it will have a lot of impact on them. However, if they thought this issue failing would have a lot of impact on their family, 49% would be more supportive of the income tax increase. Thus, in addition to demonstrating the need for the levy, the City will have to “connect the dots” for voters and let them know that with the loss in state funding additional revenue is needed in the form of a tax increase and if the issue is defeated more cuts will have to be made that would negatively impact all city services.

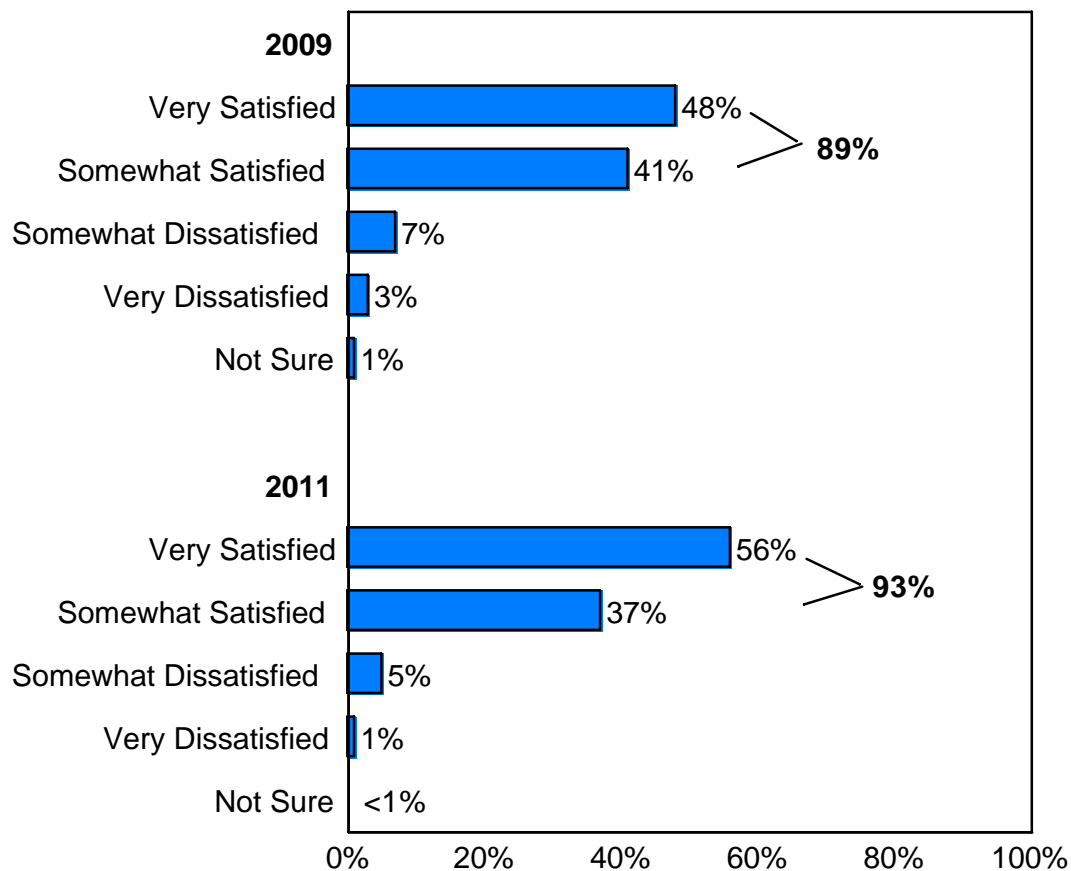
## I. Satisfaction with City Services

**A large majority of voters continue to be satisfied with city services.**

More than nine-out-of-ten voters (93%) said they are satisfied with the city services provided by the City of Shaker Heights. Importantly, of these, more than half (56%) were **very satisfied** while 37% were **somewhat satisfied**. Just 6% were somewhat (5%) or very (1%) dissatisfied with the city services provided.

Both overall satisfaction with city services (89% in 2009 versus 93% today) and the percent very satisfied (48% in 2009 versus 56% today) is higher today compared to just two years ago.

### Q1 SATISFACTION WITH THE SERVICES PROVIDED BY THE CITY OF SHAKER HEIGHTS



While a large majority of every demographic group was satisfied with the services provided by the city, there were some differences in the percent very satisfied.

- Two-thirds of senior citizens (66%) are very satisfied with city services while voters aged 50 to 64 looked similar to respondents overall (56%). But just 42% of those aged 18 to 49 are very satisfied with the services provided by the city.
- White voters (61%) were much more apt to be very satisfied with city services compared to non-white voters (47%).
- 61% of females are very satisfied with the city services provided compared to 51% of males.

There was also some variation by voter segments. That is, 74% of Yes/Yes voters on the tax issue are very satisfied with city services as were 62% of Moved Positive voters. But just 45% each of Undecided/Moved Negative voters and Soft No voters are very satisfied. Hard no voters are least apt to be very satisfied with the services provided by the city (35% very satisfied).

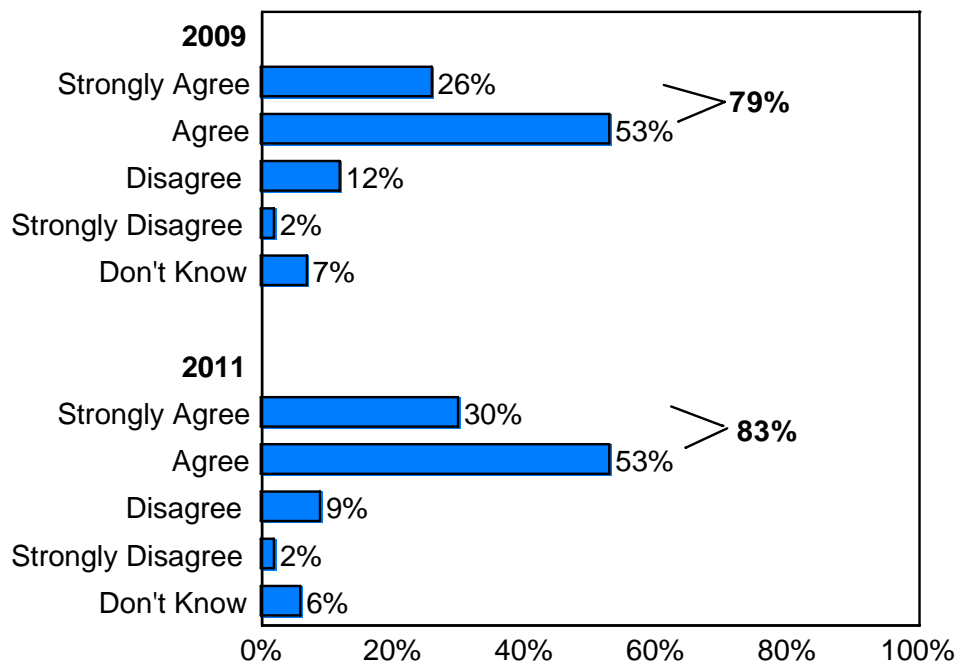
It is also worth noting that frequent voters (63%) were much more apt to be very satisfied with city services compared to moderate (51%) and infrequent (52%) voters.

## Voters continue to trust what the city says about its finances.

Today, more than four-fifths of the voters (83%) either **strongly agreed** (30%) or **agreed** (53%) that *you can believe what the City of Shaker Heights tells you about the finances of the city*. This is slightly higher than what we saw in 2009 (79% agreed).

Only 11% of the voters today disagreed with this, and 6% did not know.

### Q3 AGREE/DISAGREE YOU CAN BELIEVE WHAT THE CITY OF SHAKER HEIGHTS TELLS YOU ABOUT THE FINANCES OF THE CITY

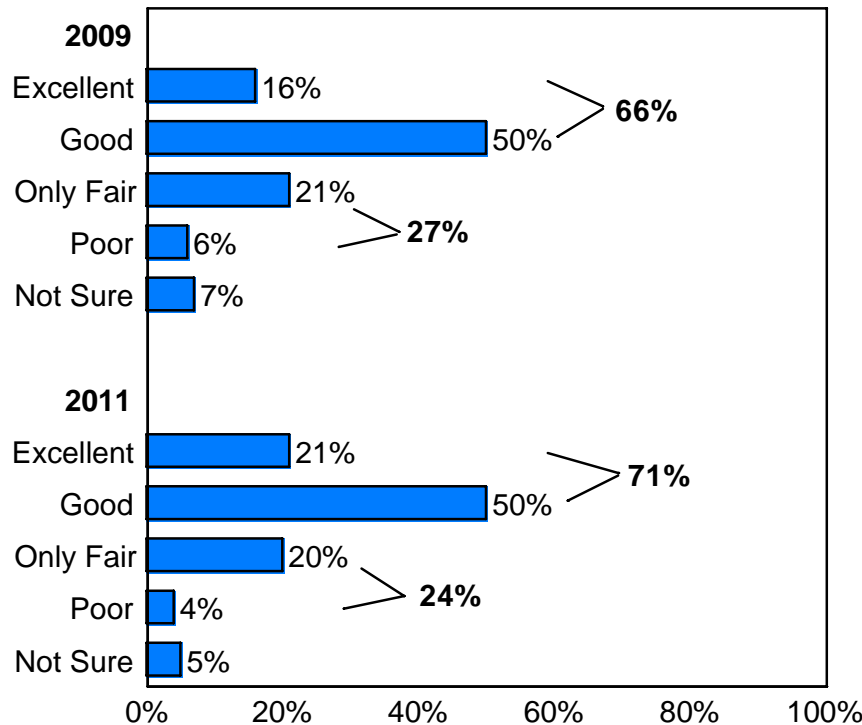


Three-fifths or more of every subgroup agreed with this statement. However, the percent strongly agreeing was slightly lower among non-white voters (20%), those with incomes of less than \$60,000 (25%), Republicans (24%) and moderate (27%) and infrequent (20%) voters.

## The City's rating on its use of money also improved.

Seven-out-of-ten voters (71%) rated the City of Shaker Heights positively on the job it is doing with the tax money it receives. This is 5-points higher than in 2009 (up from 66% to 71% today) and all of this increase was in the percent **excellent** (up from 16% to 21%). Half (50%) continue to rate the City **good** on this. A fourth (24%) rated the job the City is doing with the tax money only fair (20%) or poor (4%), while 5% weren't sure.

### Q2 THE CITY'S RATING ON JOB IT IS DOING WITH TAX MONEY



As we might expect, there was a strong correlation between voters' rating of the city's use of tax money and support for an income tax increase. A large majority of Yes/Yes (89%) and Moved Positive (85%) voters rated the City positively on its use of tax money. But the positive rating decreased to 59% among Undecided/Moved Negative voters. Interestingly, Soft No voters (70%) looked like respondents overall. Just 39% of Hard No voters gave the City of positive job rating on its use of money while 58% gave a negative rating.

The City's rating on its use of tax money was also lower among:

- Voters in the Southeast region (60% excellent and good combined)
- 18 to 49 year olds (63%)
- Those who voted in 2 of the last 4 general elections (60%) and
- Republicans (57%) or those who are independent (59%).

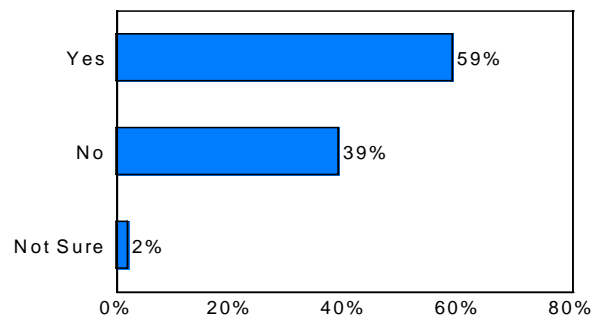


## Three-fifths of the voters are aware the city has made cuts...

Overall, 59% are aware that because of the current economic recession, Shaker has already tightened their belt by cutting 55 employees over four years and reducing the city's budget by \$6 million a year. Two-fifths (39%), however, were not aware of this.

The subgroups slightly less apt to be aware that the City has already taken steps to tighten its belt included Moved Positive voters (44% aware), non-whites (45%), those with incomes of less than \$60,000 (48%), senior citizens (51%) and infrequent voters (44%).

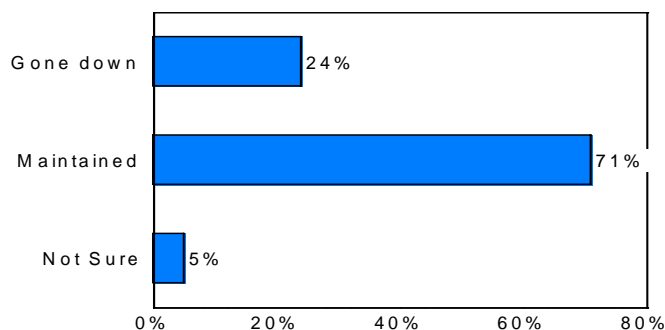
### Q4 AWARE THAT BECAUSE OF THE ECONOMIC RECESSION SHAKER HAS ALREADY TIGHTENED THEIR BELT BY CUTTING 55 EMPLOYEES OVER FOUR YEARS AND REDUCING THE CITY'S BUDGET BY \$6 MILLION A YEAR



## ...but despite these cuts, voters think city services have been maintained.

Just 24% of the voters think city services have **gone down** over the last four years. However, 71% think the City has been able to **maintain** services in spite of the lay-offs and budget cuts.

### Q5 HAVE CITY SERVICES GONE DOWN OR STAYED THE SAME IN THE LAST FOUR YEARS IN SPITE OF THE LAY-OFFS AND BUDGET CUTS



At most, a third each of Hard No voters (35%), Moved Positive voters (32%), non-whites (31%) and infrequent voters (33%) said city services have gone down as a result of the lay-offs and budget cuts.

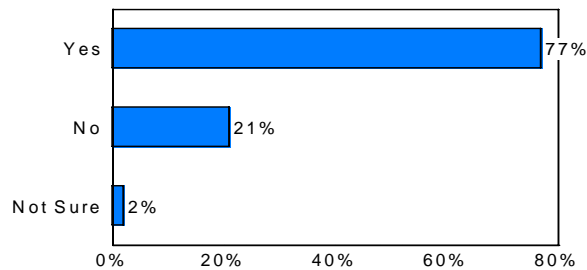
Overall, voters are satisfied with the level of services provided by the City of Shaker Heights. And despite laying-off employees and making cuts in spending, many voters do not think the quality of city services was impacted. Thus, some voters may not see the need for a tax increase to pay for city services at this time. This is our first indication it may be difficult to pass an increase tax increase at this time.

## Voters were more apt to be aware of the state budget cuts and the loss of revenue from the estate tax...

Three-fourths (77%) said they are aware that this year, the state reduced the amount of money it gives to cities like Shaker and that the state legislature also passed a law eliminating the money cities like Shaker get from the estate tax.

Awareness was slightly lower among Moved Positive (54% aware) and Undecided/Moved Negative (65%) voters, non-white voters (64%) and those with incomes of less than \$60,000 (61%).

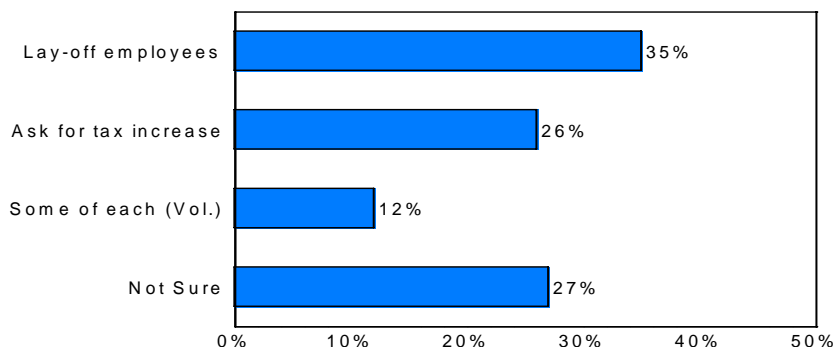
### Q6 AWARE THE STATE REDUCED THE AMOUNT OF MONEY IT GIVES TO CITIES LIKE SHAKER AND THAT THE STATE LEGISLATURE ALSO PASSED A LAW ELIMINATING THE MONEY CITIES LIKE SHAKER GET FROM THE ESTATE TAX



## ...but voters are somewhat divided on how the City should make up for this shortfall.

Voters were then told that because of these state cutbacks, Shaker will receive about \$4.2 million less each year in revenue than it has in the past. And when asked what the City should do to make up for this shortfall, voters were slightly more apt to prefer to **lay-off employees** and cut services to residents (35%) than to ask residents for a **tax increase** (26%). There were 12% who volunteered the City should do both. But 27% weren't sure.

### Q7 TO MAKE UP FOR THE SHORTFALL BECAUSE OF STATE CUTBACKS SHOULD SHAKER LAY-OFF MORE EMPLOYEES AND CUT SERVICES TO RESIDENTS OR CONSIDER ASKING RESIDENTS FOR A TAX INCREASE



Similar to respondents overall, most subgroups were somewhat divided or were slightly more apt to prefer the city lay-off employees and cut services than ask for a tax increase. Yes/Yes voters (8/53; lay-off employees/ask for tax increase), non-white voters (26/32) and those with incomes of less than \$60,000 (26/33) were the only subgroups in which more preferred asking residents to support a tax increase.

## II. Support for a Possible City Income Tax Increase

### Less than half the voters initially support either of the two possible income tax issues tested.

Two different income tax increases were tested using a split sample. That is, one-half of the voters were asked how they would vote on a one-half percent increase in the City's income tax to a rate of two and a quarter percent. The other one-half of respondents were asked about a zero point three-five percent increase to a rate of two and one-tenth percent. Regardless of which increase they were asked about, all respondents were told it would be used for the purpose of providing additional income to pay for necessary municipal functions and to meet increasing operating costs for the city.

The results for the two income tax increases tested were within the margin of error for the survey, but initial support is slightly higher for the one-half percent increase. Overall, 46% of voters asked about the 0.5% increase said they would definitely or probably vote **Yes** but 50% said they would definitely or probably vote **No**. Just 4% were undecided.

Similarly, 42% of those asked about the 0.35% increase said they would definitely or probably vote **Yes** while 53% said they would definitely or probably vote **No** and 6% were undecided.

<b>FIRST VOTE ON INCOME TAX INCREASE</b> (Asked of one-half of respondents each)				
	<b>Q8 - 0.5% Increase</b>		<b>Q12 - 0.35% Increase</b>	
	%	%	%	%
Definitely Yes	12	<b>46</b>	10	<b>42</b>
Probably Yes	34		32	
Probably No	25	<b>50</b>	25	<b>53</b>
Definitely No	25		28	
Not Sure	4	<b>4</b>	6	<b>6</b>

After hearing reasons for and against the income tax issue, support for both options increased but only support for the one-half percent increase was over half the second time asked. That is, 52% said they would vote Yes on the 0.5% increase, an increase of 6-points. But 46% would still vote No on this issue. Support for the 0.35% increase was at 45% in the second vote, up three points. But more than half (53%) would vote No on the issue. Very few respondents were undecided in the second vote question (2% and 3%, respectively).

<b>SECOND VOTE ON INCOME TAX INCREASE</b> (Asked of one-half of respondents each)				
	<b>Q28 - 0.5% Increase</b>		<b>Q29 - 0.35% Increase</b>	
	%	%	%	%
Definitely Yes	16	<b>52</b>	11	<b>45</b>
Probably Yes	36		34	
Probably No	25	<b>46</b>	27	<b>53</b>
Definitely No	21		26	
Not Sure	2	<b>2</b>	3	<b>3</b>

Based on these results, it will be difficult to pass either of these income tax increases. Regardless of which issue, if any, the City decides to place on the ballot for voter approval, it will require a well funded, city-wide and informative campaign. We should also note much of the support for either issue is weak. That is, only about a tenth said they would definitely vote yes on either issue initially.

For further analysis, we combined the results of the first and second vote questions on the 0.5% increase with the results of the first and second vote questions on the 0.35% increase. As shown below, 41% of the voters said they would vote Yes on a city income tax increase both times they were asked. The Yes/Yes voters are the issues core group of supporters.

COMBINED VOTE MOVEMENT	
	All Respondents
	%
Yes/Yes	41
Moved Positive	8
Undecided	1
Moved Negative	4
Soft No	23
Hard No	23

In addition 8% of the voters **Moved Positive** from the first vote to the second, which means that they initially voted No on the income tax increase, but then voted Yes or became undecided the second time asked, or they were undecided initially and then supported it.

Just 1% of voters who were **Undecided** both times and only 4% **Moved Negative**. These voters supported the income tax the first time and then became opposed or undecided by the end of the survey, or they started out undecided then voted No the second time.

Combined, the Yes/Yes, Moved Positive, Undecided and Moved Negative voters account for just 54% of all voters, thus the City of Shaker Heights will also need the support of some of the “**Soft No**” voters. These voters account for 23% of the sample and include those who would **probably** vote no one or both times asked.

One-fourth of the voters (23%) said they would **definitely** vote No both times asked. Typically, little can be done to convince the **Hard No** voters to support a tax issue unless the amount or purpose of the issue is changed.

Senior citizens (50%) were the only subgroup in which half said they would vote yes both times asked. Several other subgroups were just under half Yes/Yes voters including those in the Northwest region (49%), those with incomes of less than \$60,000 (49%), Democrats (48%) and frequent voters (48%).

Republicans were the only subgroup in which half were Hard No voters (51%). Among the remaining subgroups, between 14% and 34% were Hard No voters.

Thus, this tells us that most demographic groups are persuadable voters. That is, a substantial percent of each subgroup are Moved Positive, Undecided, Moved Negative or Soft No voters. This again tells us that the City will need to run a very aggressive and informative campaign that reaches across the entire city and all demographics to be successful.

## Many of those supporting the issue want to maintain the quality of Shaker Heights or believe the City needs the money.

One-third of those voting Yes on either the 0.5% or 0.35% income tax are supporting the issue to maintain city services or to keep important services (about 35%). In addition, 22% of those supporting the 0.35% increase are voting Yes to keep Shaker Heights a desirable place to live. This was cited by just 10% of those supporting the 0.5% income tax.

A fourth (25%) are voting Yes because they think the city needs the money, revenues are down because of the economy, costs are increasing, etc.

A variety of other reasons were given for supporting a city income tax by a tenth or less of the voters.

Q9 & 13 REASONS FOR VOTING <u>YES</u> ON INCOME TAX INCREASE		
	Of Those Voting Yes*	
	0.5% Increase (N=117) %	0.35% Increase (N=107) %
To maintain city services, keep important services, services are good	34	38
City needs the money, cities are impacted by the economy, costs are increasing, revenues are down, laying people off	22	28
For the city, keep it good, desirable, improving	10	22
I support the city, need to support the city, trust/have confidence in city officials	9	4
No other source of income, money has to come from somewhere, community responsibility	9	1
City does a good job with what they have	8	1
Need more information, what will the money be used for	6	4
To maintain property values, the community	5	6
To support/keep firefighters and police, other city employees	2	7
Increase is not too much, residents can afford to pay it	3	4
City has not had an income tax increase in years	1	--
Income tax preferred over property tax	--	4
Other	8	7
Don't Know	2	1
*Adds to more than 100% due to multiple responses, 2 responses accepted		

## Taxes was the overwhelming reason given for opposing an increase in the city income tax.

More than half of those voting no (57%) said taxes are too high, against new taxes, we are one of the highest taxed suburbs in the state as their reason for opposing the income tax increase. Another fifth (20%) are voting no because they are retired, can't afford more taxes, lack income, money is tight, bad economy.

Some are opposed because they don't think the city needs the money or they should make cuts first (20%) and the city wastes money, don't use money right, could do more with what they have (11%).

Q9 & 13 REASONS FOR VOTING <u>NO</u> ON INCOME TAX INCREASE		
	Of Those Voting No*	
	O.5% Increase (N=128) %	O.35% Increase (N=122) %
Taxes too high, against new taxes, one of the highest taxed places in the state	54	59
Retired, can't afford, lack income, money is tight, bad economy	21	18
Don't need the money, cut other things first, tighten belts, other ways to make cuts, find money, consolidate with other cities to save money	16	25
Waste money, don't use money right, could do more with what they have	13	10
People are leaving the city, need more businesses, more businesses help pay taxes	11	7
Don't trust city, don't tell us where money goes, what money is used for	2	4
Need more information, where does the money go	2	3
City services aren't that good, poor, need improved	1	4
Don't work in Shaker Heights, shouldn't have to pay taxes here	1	1
State should give more funding for the city	--	2
Other	5	3
*Adds to more than 100% due to multiple responses, 2 responses accepted		

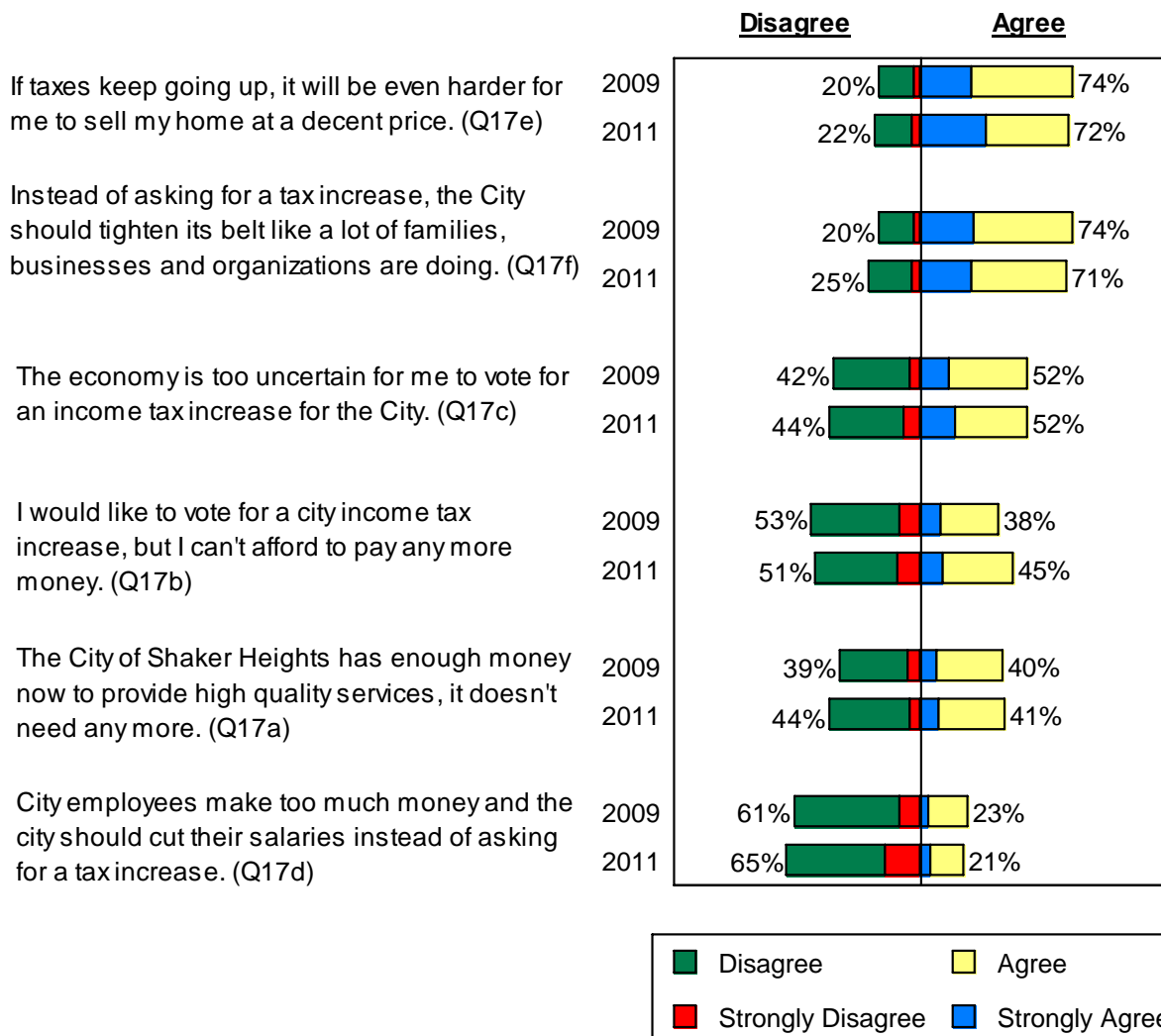
### III. Reasons Against an Income Tax Increase

#### Perceived lack of need for more money is the argument that most divided voters.

Six possible reasons for voting against an income tax increase were tested and multivariate analysis determined that **need** was the argument that most divided the Yes voters from the No and Undecided voters. That is, overall 41% agreed that *the City of Shaker Heights has enough money now to provide high quality city services, it doesn't need any more* while 44% disagreed with this. The remaining 16% didn't know. This result is similar to what we saw in 2009 (40% agreed; 39% disagreed).

- Looking at the voter groups we see that 73% of Yes/Yes voters **disagreed** the City has enough money. In contrast, 73% of Hard No voters **agreed** with this statement as did 57% of Soft No voters. Moved Positive (39% agreed; 30% disagreed) and Undecided/Moved Negative (48/30) voters also tend to agree that the City has enough money now to provide high quality services. **Thus, the City needs to inform voters that they have already made cuts and further cuts will negatively impact the quality of city services.**

#### REASONS FOR OPPOSING THE CITY INCOME TAX INCREASE



About three-fourths of the voters continue to agree that *if taxes keep going up, it will be even harder to sell my home at a decent price* (72%). Only a fifth (22%) disagreed with this statement. This too is similar to the 2009 survey results (74% agreed; 20% disagreed).

- Similar to respondents overall, a large majority of every demographic group agreed with this, including Yes/Yes (51%) and Moved Positive (78%) voters.

Similar to 2009, seven-out-of-ten voters (71%) agreed that *instead of asking for a tax increase, the City should tighten their belts just like a lot of families, businesses and organizations are doing*. A fourth (25%) disagreed with this. This is further evidence that voters are not aware of the size of cuts Shaker has already made, and therefore the need for a tax increase.

- A majority of every subgroup also agreed with this statement including 70% of Moved Positive voters. Even Yes/Yes voters were divided (48% agreed; 48% disagreed).

But voters do not think city employees are overpaid. That is, only 21% agreed that *city employees make too much money and the city should cut their salaries instead of asking taxpayer for a tax increase*. Two-thirds (65%) disagreed with this.

- A majority of most subgroups disagreed with this. However, nearly half (47%) of Hard No voters agreed city employees' salaries should be cut as did 38% each of Moved Positive voters and Republicans.

**Similar to what we saw in 2009, many voters are still concerned about the affordability of the issue and/or economic uncertainty.** Today, 45% of the voters agreed that *they would like to vote for a city income tax increase, but they can't afford to pay any more taxes*. This is up slightly since 2009 when 38% agreed. Half of the voters (51%) continue to disagree they can't afford it. At the same time, just over half of the voters (52%) agreed that *the economy is too uncertain for me to vote for an income tax increase for the city* while 44% disagreed.

- While a substantial percent of every demographic group said they can't afford the tax increase, every subgroup was more apt to agree the economy is too uncertain. Thus, even if voters think they could afford a tax increase, they may be hesitant to support the issue due to their concerns about the economy.

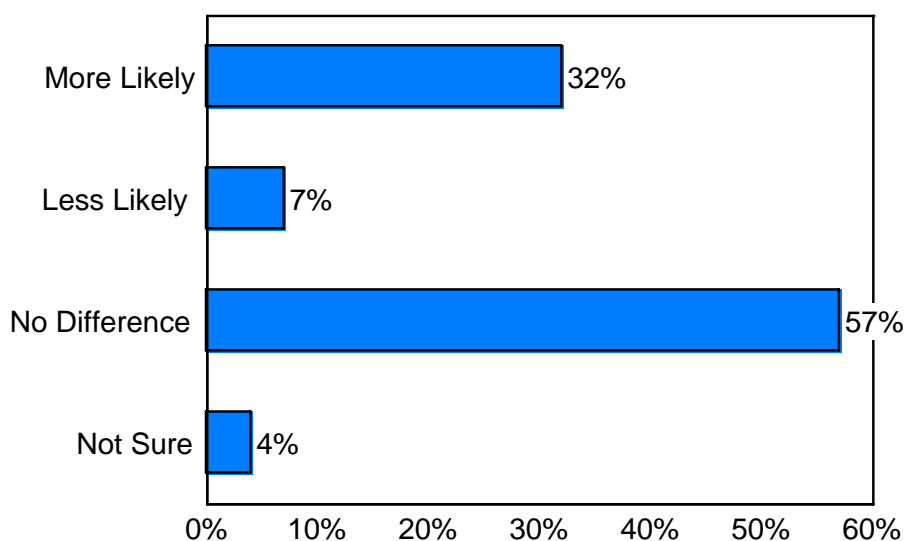


## IV. Arguments in Favor of an Income Tax Increase

**Knowing the State cut funding to cities like Shaker had some positive impact on voters' support.**

Overall, 65% of the voters were aware that this year the State of Ohio cut the amount of money it gives to cities by more than half. And a third of all voters (32%) said knowing this would make them more likely to vote Yes on the income tax issue. Over half (57%) said this doesn't make any difference to them while only 7% were less likely to vote yes.

### **Q19 LIKELIHOOD OF VOTING FOR THE CITY INCOME TAX KNOWING THE STATE OF OHIO CUT THE AMOUNT OF MONEY IT GIVES TO CITIES BY MORE THAN HALF**



This information helps reinforce/gain support for the income tax issue among a fourth or more of most subgroups and is particularly helpful in reinforcing support among the Yes/Yes voters (62% more likely to vote for).

**But more important is informing voters that the money from the tax issue will be used to purchase new emergency vehicles and for repairing the roads.**

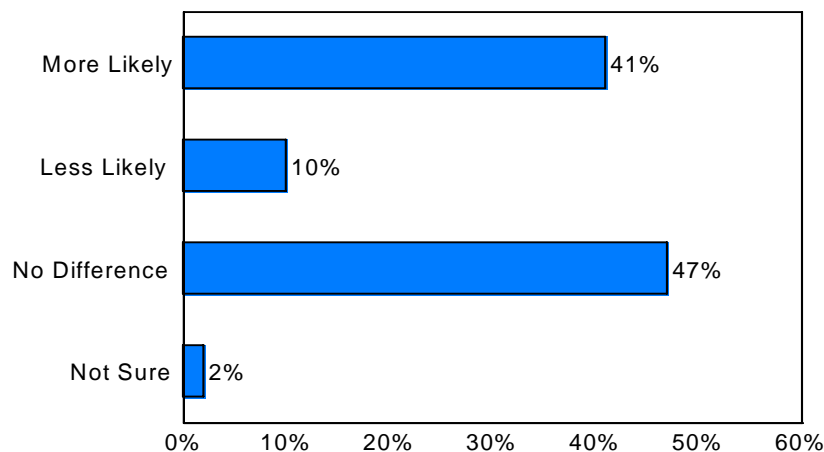
Three-fifths of the voters (61%) said they were aware that each year Shaker Heights received more than \$3 million from the Ohio estate tax, and that with the end of the estate tax Shaker will no longer get any money from it.

There was some demographic variation on this. That is...

- 72% of Hard No voters were aware of the loss in the estate tax revenue as were 65% of Yes/Yes voters. About half or less of the other voter segments were aware of this.
- 71% of white voters were aware of this while this was true of just 37% of non-white voters.
- 71% of Republicans were aware Shaker will no longer get any money from the estate tax while Democrats looked like respondents overall (59%).
- And awareness increased with income.

Respondents were then told that Shaker always relied on the money it got from the estate tax to pay for road repairs, and the purchase of all new equipment including police cars, fire trucks, and trucks for refuse collection and snow removal. They were also told that with the loss of the estate tax money Shaker will have to find another way to pay for all these things. Knowing this, 41% of the voters would be more likely to vote Yes on the income tax issue. About half (47%) said this doesn't make any difference to them while only 10% were less likely to vote yes.

**Q21 LIKELIHOOD OF VOTING FOR THE CITY INCOME TAX KNOWING SHAKER ALWAYS RELIED ON THE MONEY IT GOT FROM THE ESTATE TAX TO PAY FOR ROAD REPAIRS AND THE PURCHASE OF ALL NEW EQUIPMENT**



Knowing what the estate tax money was used for was helpful in reinforcing support among Yes/Yes voters (72% more likely) as well as gaining support among the Moved Positive voters (62%). Knowing this had a positive impact on between a fourth and about two-fifths of the other demographic groups.

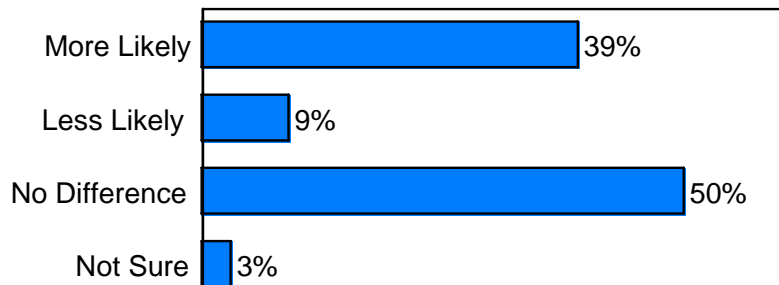
## Knowing the money generated by the tax increase would be used to make up for the loss in State funding is also somewhat persuasive to voters.

Respondents asked about the 0.35% increase were told the money from this income tax increase would make up for the money that the state legislature took away from Shaker earlier this year. Those asked about the 0.5% increase were *also* told the money would be used to protect the City against future cost increases or more cuts by the state legislature. As we can see in the graph below, the results were virtually identical with 40% more likely to support a tax increase knowing this. Half said it would make no difference in their support (49%).

### LIKELIHOOD OF VOTING FOR THE CITY INCOME TAX LEVY KNOWING...

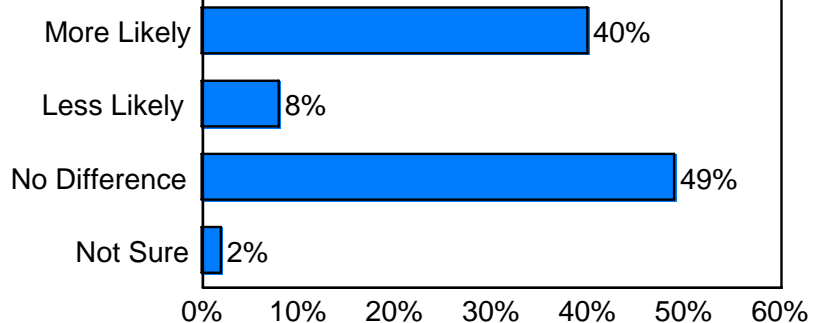
#### Of Those Asked 0.5% Increase

The money would make up for the money that the state legislature took away from Shaker earlier this year and protect the City against future cost increases or more cuts by the state legislature. (Q22)



#### Of Those Asked 0.35% Increase

The money would make up for the money the state legislature took away from Shaker earlier this year. (Q23)



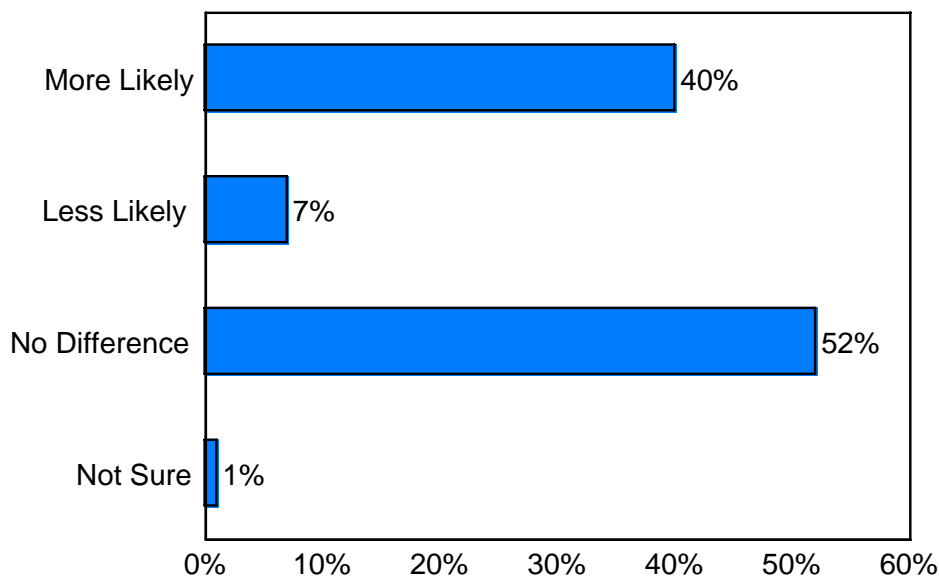
Interestingly, Yes/Yes voters (77%) and Moved Positive voters (58%) on the 0.35% increase were more apt to be positively impacted by this information than were the Yes/Yes (66%) and Moved Positive (35%) voters on the 0.5% income tax increase. For the most part, the remaining subgroups looked similar to respondents overall with between a third and two-fifths more likely to support the tax issue knowing it will make up for the shortfall in state funding.

Thus, it is important that Shaker use these arguments together and inform voters about the loss in funding from the State as well as the fact that Shaker will no longer be able to collect on the estate tax. The City also has to inform voters what the money would be used for.

**Equally important is letting voters know that it has been 30 years since the City's income tax increased.**

Two-fifths of all respondents would be **more likely** to support an income tax increase for the city knowing the city's last income tax increase was 30 years ago and the city's goal after this tax increase is to stay off the ballot for many years to come. Just 7% were less likely to support the tax increase knowing this while 52% said this does not impact their support.

**Q25 LIKELIHOOD OF VOTING FOR THE CITY INCOME TAX INCREASE  
KNOWING THE CITY'S LAST INCOME TAX INCREASE WAS 30 YEARS AGO  
AND THE CITY'S GOAL AFTER THIS TAX INCREASE IS TO STAY OFF THE  
BALLOT FOR MANY YEARS TO COME**



Yes/Yes voters were most apt to be influenced by this (65% more likely). This argument is also helpful in gaining support among most other subgroups as well with between a third and two-fifths more supportive of the tax issue knowing it has been 30 years since the city's income tax increased.

**Knowing that non-earned income would not be taxed is only somewhat important to voters.**

Overall, just a fourth of all respondents (about 26%) were positively impacted knowing that income from social security, pensions, interest, dividends and capital gains would not be taxed and that only income from employment would be taxed. Only 9% said this would make them less likely to vote for. But three-fifths (about 59%) were not impacted by this.

Q10 & 14 VOTE FOR INCOME TAX KNOWING SOCIAL SECURITY, PENSIONS, INTEREST, ETC. WOULD <u>NOT</u> BE TAXED		
	0.5% Increase %	0.35% Increase %
More Likely	24	29
Less Likely	9	9
No Difference	62	55
Not Sure	5	6

However, this argument is more persuasive to voters in the Southwest (about 41% more likely), senior citizens (34%) and non-white voters (37%). Interestingly, voters with incomes of less than \$60,000 who were asked about the 0.5% increase (42% more likely) were more apt to be positively impacted by this than those asked the 0.35% increase (30%).

It is important to inform voters of this even though it will not convince many to vote for the tax increase.

## Knowing that actual cost of the increase was neither a positive nor a negative to voters.

Overall, knowing the actual additional monthly cost did not make a difference to a majority of voters. As shown below, about two-thirds of the voters said it wouldn't make any difference to them knowing the 0.5% increase would cost about \$21.00 and the 0.35% increase would cost about \$15.00 a month more on an annual taxable income of \$50,000 (67% and 65% no difference, respectively). Among the remaining voters, the cost of the 0.5% increase was only a slight negative (13% more likely; 17% less likely) while the cost of the 0.35% increase was only a slight positive (18/12). Statistically, there is no variation in these results.

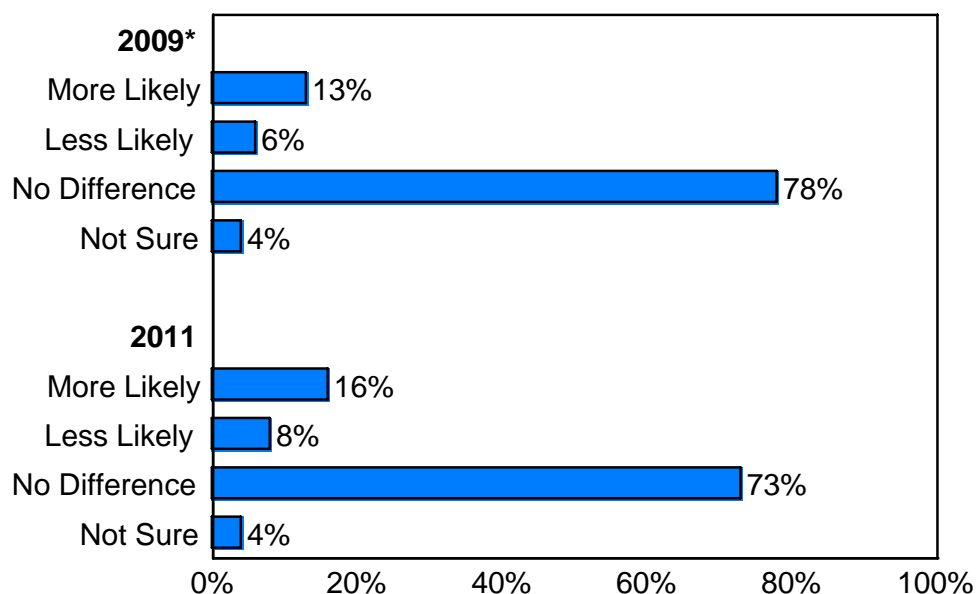
Q11 & 15 LIKELIHOOD OF VOTING FOR THE INCOME TAX KNOWING THE COST (Asked of one-half of respondents each)		
	Q11 - 0.5% Increase Pay \$21 Month More	Q15 - 0.35% Increase Pay \$15 Month More
	%	%
More Likely	13	18
Less Likely	17	12
No Difference	67	65
Not Sure	4	4

There was little significant demographic variation on this. Knowing the cost did not make a difference to a majority of every subgroup.

**There is little to be gained by informing voters that 20% of the money from the income tax comes from people who live outside Shaker.**

Similar to what we saw in 2009, three-fourths of the voters (73%) said it doesn't make any difference to them to know that 20% of the income tax money Shaker Heights takes in comes from people who live in other communities and work in Shaker Heights. Only 16% said this would make them more likely to support the income tax while 8% would be less likely to vote for.

**Q16 VOTE FOR INCOME TAX KNOWING 20% OF THE MONEY COMES FROM PEOPLE WHO LIVE OUTSIDE OF SHAKER**



\* wording slightly different

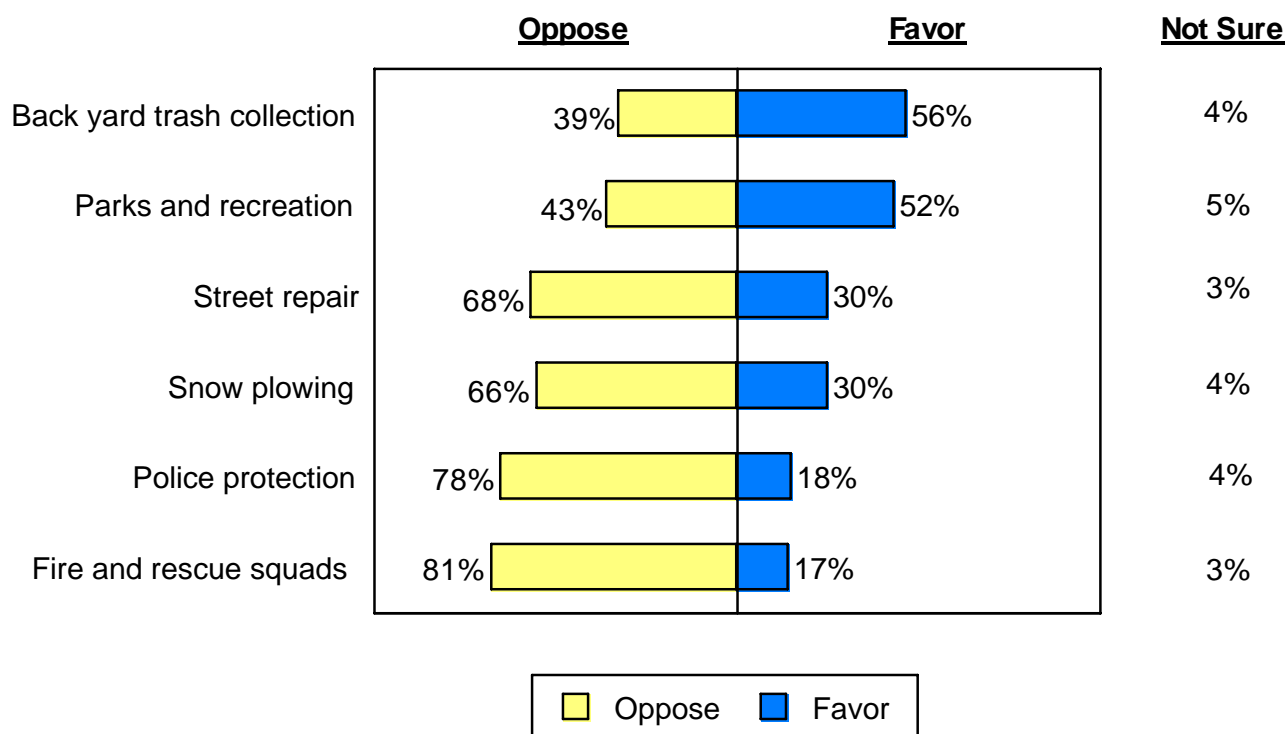
There was little demographic variation. This argument has little impact on voters' support for the tax issue.

## Voters are opposed to most of the possible cuts tested if the tax issue fails.

If the tax increase fails and the city has to cut its overall budget by about another ten percent, a large majority **opposed** cuts in four of the city services tested including:

- Fire and rescue squads (17% favored; 81% opposed)
- Police protection (18/78)
- Street repair (30/68) and
- Snow plowing (30/66).

### Q24 FAVOR OR OPPOSE A 10% CUT IN SPECIFIC CITY SERVICES



Just over half of the voters **favored** two of the six potential cuts in city services tested. They were:

- Back yard trash collection (56% favored; 39% opposed) and
- Parks and recreation (52/43).

Yes/Yes and Moved Positive voters **opposed** cuts in each of these city services, including back yard trash collection and parks and recreation. Thus, the issue's core supporters want to maintain all city services.

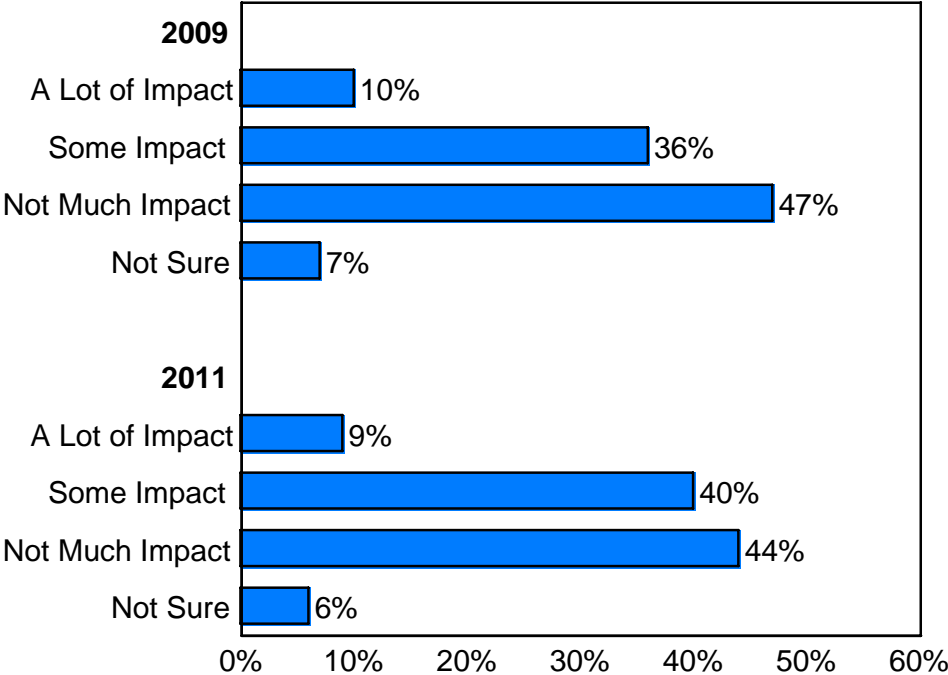
However, two-fifths or more of Hard No voters favored making cuts in each of these city services if the tax increase fails, including cuts in police (42% favored) and fire and rescue squads (39% favored). This is further evidence that there is little the city can do to convince the Hard No voters to support a tax increase.



**Currently, only a few voters believe that the failure of the income tax increase would have a lot of impact on them.**

Similar to 2009, Just 9% of all voters said that if the income tax increase failed, it would have **a lot** of impact on them and their family. Another 40% said the failure of the income would have **some** impact on them. But 44% said its failure **would not have much impact** on their family. Note that this question was asked *after* voters were read the list of potential cuts in city services if the issue fails.

**Q26 IF THE TAX INCREASE FAILS HOW MUCH OF AN IMPACT WOULD THERE BE ON YOU AND YOUR FAMILY**

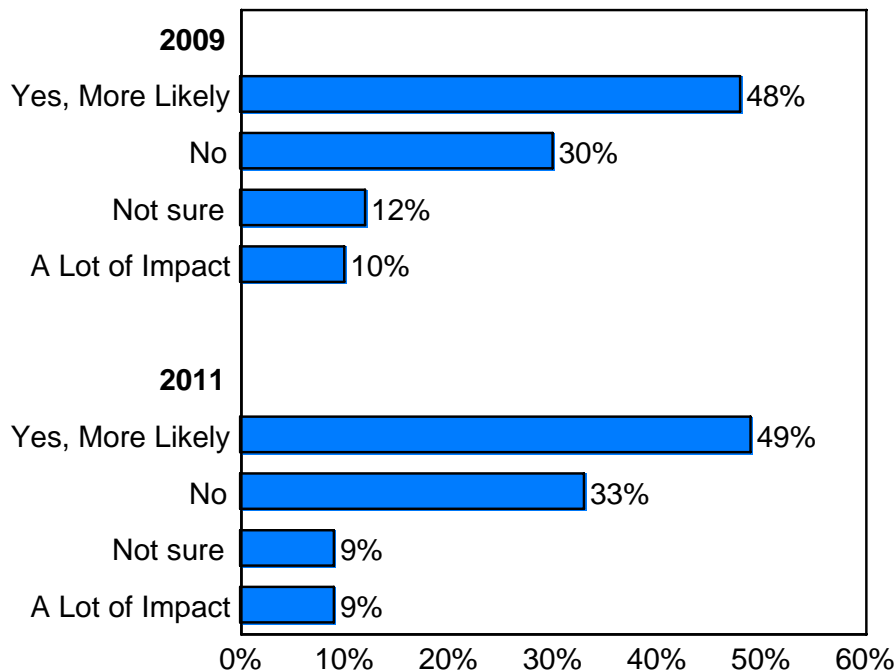


At most, 18% of Moved Positive voters said if the income tax failed it would have a lot of impact on them.

**But if voters thought the issue's failure would have a lot of impact on them, they would be more likely to support the increase.**

Those who did not think an income tax failure would have a lot of impact on them and their family (91%) were asked their likelihood of voting for the income tax if they thought the failure of the income tax increase would have a lot of impact on their family. Assuming a lot of impact, 49% said they would be **more likely** to vote for the income tax. But 33% would **not** be more likely to support it and 9% weren't sure. This too is similar to what we saw in 2009.

## **Q27 MORE LIKELY TO VOTE YES ON INCOME TAX INCREASE IF THOUGHT ITS FAILURE WOULD HAVE A LOT OF IMPACT ON FAMILY**



With the exception of Hard No voters, a majority of all subgroups either said they would be more likely to support an income tax increase if they thought its failure would have a lot of impact on them or they said in the previous question that its failure would have a lot of impact on them. Thus it is important that the City show voters that the quality of city services will go down if the income tax issue fails and this *will* have a negative impact on the city and its residents.